14 10-1 A

PENNSTATE

College of Business Administration

Published since 1938

Pennsylvania Business Survey

March 1990

SHORT-TERM NEWS IS GOOD; LONG-TERM TRENDS SHOW SOME WEAKNESS

The new year is off to a fair start in Pennsylvania as the goods-producing sector turned in a respectable showing alongside continued expansion in service-producing activity in January. The strength in construction and manufacturing is not expected to continue, however, and economic growth in the Commonwealth should settle into a slow-growth pattern in the months ahead. Renewed optimism with respect to the U.S. economic outlook on the part of many is probably premature. All too often, analysts and forecasters respond in a knee-jerk fashion to, sometimes misleading, signs of possible changes in the economy's fortunes. Indeed, recent fears of rising interest rates are probably premature and unwarranted. As 1990 wears on, it is expected that sub-par economic growth will dominate, resulting in some easing in the financial markets and inflationary pressures.

After falling below year-ago readings in every month during 1989, new housing units authorized by permit currently stand 2.7 percent higher than in the first month of 1989 (chart). On the negative side, the recent decline in permit growth has been stronger in the Commonwealth than in the U.S. and the January uptick in Pennsylvania was swamped by the U.S.' 25 percent gain. (The large January increase in the U.S. is a bit suspect. A similar gain occurred in the first month of 1989 before a downtrend set in during the final 11 months of the year.) The value of residential construction contracts awarded comes in below readings from a year ago. However, valuations for nonresidential building and nonbuilding projects stand higher than in January 1989.

Perhaps because of relatively mild weather, **the normal January drop in construction jobs was a bit less than expected this year, resulting in a slight seasonally adjusted gain in job levels.** In fact, the 215,000 building-related jobs in January translate into a record high after seasonal adjustment. **The news on the jobs front is also encouraging in the State's factories.** As with construction, the decline during the first month of the year is not as pronounced as expected. Still, the 1,036,000 manufacturing jobs come in 15,000 below a year ago.

Other indicators of the factory sector's health also point up, at least based on month-to-month comparisons with December. The average workweek and hourly and weekly earnings are each up on a seasonally adjusted basis. On the other hand, the average workweek falls 0.5 hour short of its reading from a year ago and the annual increase in earnings fails to keep up with the rise in the overall price level.

Retail sales trends in 1989 in Pennsylvania are not especially impressive. (January 1990 figures are not yet available.) While sales are up compared to 1988 figures, the 3 percent increase falls well short of the 5 percent U.S. gain (chart). This comes on the heels of four consecutive years in which sales growth in Pennsylvania was stronger than in the nation. Furthermore, the increase is the lowest on record, dating back to the late 1970s. **Much of the decline in the growth in retail sales is accounted for by the automotive component.** Sales by the State's auto dealers are off by nearly 5 percent from 1988 levels (chart). In a related note, new vehicle registrations are off 8.6 percent in 1989 compared to 1988. Elsewhere, sales growth comes in pretty much in line with trends over the previous decade. **There is a rather exaggerated seasonally adjusted increase in retail trade jobs in January. Post-holiday layoffs are not as pronounced as usual this year (thereby accounting for the seasonally adjusted increase), as the hiring of temporary workers appears to have been relatively slack in the final months of 1989.**

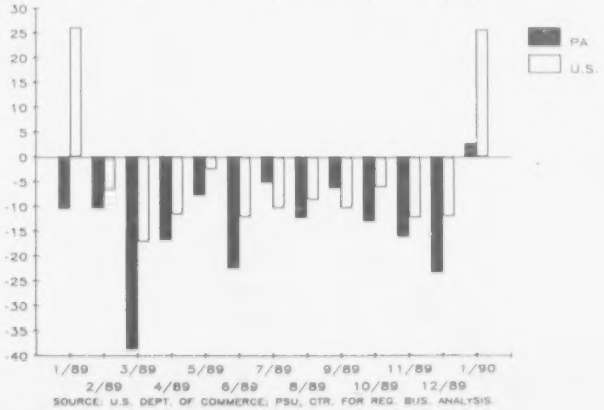
Growth in nonfarm jobs has declined considerably over the past several months. In January, the 5,060,000 jobs in

New Pennsylvania building permit authorizations (percent change from year ago)

	Jan.	Pct. chg.
Residential	2,502	2.7
Nonresidential	706	−18.5

Source: U.S. Dept. of Commerce, Bureau of the Census.

PENNSYLVANIA AND U.S. HOUSING PERMIT GROWTH
(percent change from year ago)



SOURCE: U.S. DEPT. OF COMMERCE, PSU, CTR. FOR REG. BUS. ANALYSIS

New Pennsylvania motor vehicle registrations (percent change from year ago)

	Total registrations	Pct. change
December	51,999	– 18.7
1989 YTD	665,450	– 8.6

Source: R.L. Polk & Co.

these establishments represent a gain of less than 1 percent from the year-ago month. In January 1988, growth came to 2.5 percent (chart). As with several other measures of economic activity, growth in Pennsylvania nonagricultural job levels has failed to keep up with national norms over the course of the past several months.

(You may notice that establishment job data are being presented in a slightly different format than in the past. Previously, the data were structured along manufacturing/nonmanufacturing lines. However, because of changes in the way the data are reported by Pennsylvania's Department of Labor and Industry, they are now reported in a goods-producing/service-producing format.)

Resident employment and unemployment readings show little change in January from the previous month. However, when compared to a year ago, some deterioration is noticeable. All told, the jobless rate comes in at 5.2 percent, seasonally adjusted, unchanged from December, but up from 4.3 percent a year ago. Furthermore, after coming in below national readings for much of the past three years, Pennsylvania's jobless rate is approaching the U.S. average. It is expected that employment growth will be minimal over

Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1989-1990		1989	1989-1990		1989	1989-1990		1989
	December	*January*	*January*	*December*	*January*	*January*	*December*	*January*	*January*
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)1	5,171	5,060	5,015	5,134	5,149	5,104	112.5	112.8	111.8
Service Producing									
No. of wage and salary jobs (thous.)	3,867	3,781	3,727	3,827	3,837	3,783	127.9	128.3	126.4
Transportation and public utilities	257	251	253	254	253	255	96.9	96.8	97.4
Wholesale trade	282	282	277	283	283	279	127.4	127.7	125.7
Retail trade	927	892	884	895	904	896	124.8	126.0	125.0
Finance, insurance & real estate	297	296	292	298	299	295	136.8	137.4	135.6
Service & miscellaneous	1,393	1,367	1,334	1,395	1,394	1,361	161.7	161.6	157.8
Federal government	143	142	142	143	143	143	111.7	111.4	111.4
State & local government	563	553	545	554	559	551	95.0	96.0	94.6
Goods Producing									
No. of wage and salary jobs (thous.)	1,302	1,278	1,288	1,307	1,312	1,322	83.1	83.4	84.0
Construction	234	215	209	238	240	234	129.1	130.6	127.2
Mining	28	27	27	28	28	28	57.5	57.5	58.1
Manufacturing	1,041	1,036	1,051	1,041	1,044	1,060	77.6	77.8	79.0
Durable goods	591	588	605	591	593	610	72.9	73.3	75.3
Nondurable goods	450	448	447	450	451	450	84.5	84.8	84.6
Ave. wkly. hrs. worked by prod. workers	40.8	40.6	41.1	40.3	40.7	41.2	102.0	103.0	104.2
Total wkly. person-hours worked (mils.)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total wkly. payroll (mil. dols.)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Average hourly earnings (dollars)	10.84	10.88	10.55	10.78	10.84	10.52	184.2	185.3	179.8
Average weekly earnings (dollars)	442.27	441.73	433.61	433.44	441.03	433.00	187.4	190.6	187.2
Steel production (thous. tons)	808	1,032	1,183	n.a.	n.a.	n.a.	42.1	50.2	57.6
Industrial electric power sales (mil. kwh)	3,724	3,807	3,857	3,805	3,842	3,877	103.0	104.0	105.0
Mining									
Anthracite coal (thous. net tons)	291	307	281	300	379	361	61.3	77.7	73.8
Bituminous coal (thous. net tons)	5,367	5,559	5,590	6,290	5,386	5,525	89.2	76.4	78.3
Construction contracts awarded (mil. dols.)									
Total	619.0	529.7	549.3*	778.1	801.2	830.8*	241.9	249.0	258.2*
Residential building	229.6	188.4	297.7*	302.3	274.1	431.6*	214.8	194.7	306.6*
Nonresidential building	249.4	202.7	146.8*	331.0	289.2	224.3*	305.1	266.6	206.8*
Nonbuilding (utilities and public works)	140.0	138.7	104.8*	144.8	237.9	174.9*	199.8	328.3	241.3*
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,567	5,513	5,562	5,572	5,589	5,644	116.0	116.3	117.4
Unemployed									
No. of persons (thous.)	288	348	294	308	310	257	76.9	77.3	64.2
Rate (percentage of labor force)	4.9	5.9	5.0						
Rate, seasonally adjusted				5.2	5.2	4.3			
Civilian labor force, no. of persons (thous.)	5,855	5,860	5,856	5,881	5,898	5,901	112.9	113.3	113.3
Initial claims for unemployment benefits	141,203	149,608	132,682	100,773	86,090	79,575	70.4	60.1	55.6

Consumer Prices, all items	Urban Indexes (1982-84 = 100) 1989-1990		1989	Percentage Change	
	December	*January*	*January*	*Month Ago*	*Year Ago*
U.S. city average	126.1	127.4	121.1	1.0	5.2
Philadelphia	129.9	131.2	125.7	1.0	4.4
Pittsburgh	121.8	n.a.	116.7&	n.a.	4.4

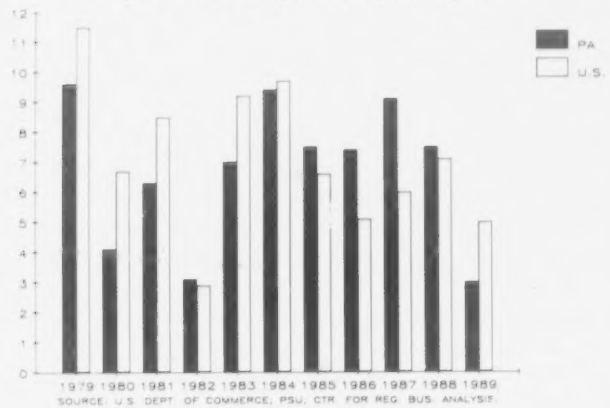
1 Total includes workers on strike. * = figure revised & figure for December 1988 n.a. = data not available
SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

Pennsylvania retail sales
(millions of dollars; pct. chg. from year ago)

	December	Pct. chg.	Year-to-date	Pct. chg.
Total	8,323	1.1	81,007	3.0
Durables	2,611	– 5.3	29,247	– 0.6
Bldg. mat.		1.6		– 4.3
Auto dlrs.		– 9.5		– 4.7
Furniture		2.1		14.1
Other		– 5.4		4.7
Nondurables	5,712	4.3	51,760	5.1
Gen. mdse.		1.0		0.8
Food/grocery		6.6		4.9
Gas		7.9		5.7
Apparel		3.5		4.8
Eat/drink		– 3.0		4.9
Drugs		3.1		10.6
Other		16.1		10.3
Seas. adj. total: December		6,999		
November		6,959		

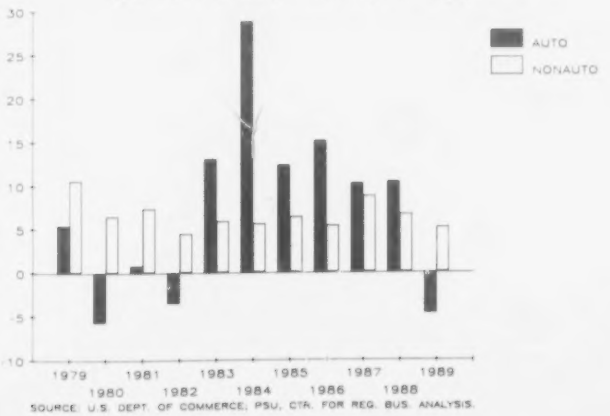
Source: Tot./Dur./Nondur.-U.S. Dept. of Commerce, Bur. of the Census.
Seas. adj. total-PSU, Ctr. for Reg. Bus. Analysis.
Data in the sub-categories of the durable and nondurable groups are subject to relatively large sampling variability. As a result, only pct. changes are shown.

PENNSYLVANIA AND U.S. RETAIL SALES GROWTH
(percent change from year ago)



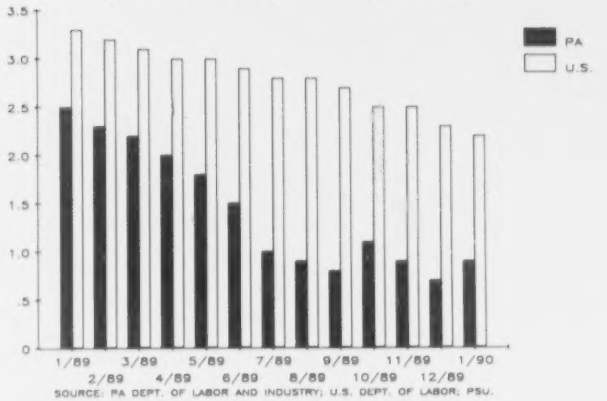
SOURCE: U.S. DEPT. OF COMMERCE; PSU, CTR. FOR REG. BUS. ANALYSIS.

PA AUTO AND NONAUTO RETAIL SALES GROWTH
(percent change from year ago)



SOURCE: U.S. DEPT. OF COMMERCE; PSU, CTR. FOR REG. BUS. ANALYSIS.

PENNSYLVANIA AND U.S. NONFARM JOB GROWTH
(percent change from year ago)



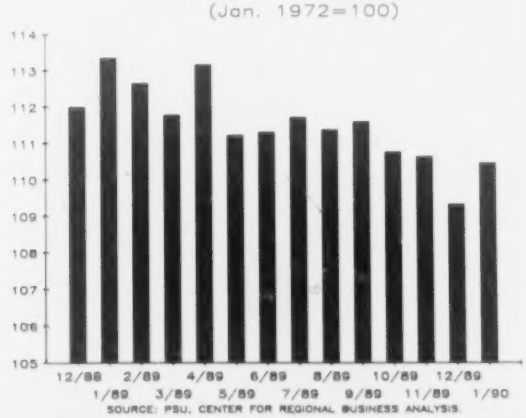
SOURCE: PA DEPT. OF LABOR AND INDUSTRY; U.S. DEPT. OF LABOR; PSU.

the course of the next several months, resulting in some upward pressure on joblessness. Indeed, the February data show such a trend. The February figues also show that the Pennsylvania jobless rate rose above national readings.

All things considered, January was not a bad month for the Pennsylvania economy, especially when compared to December. However, longer-term trends are a bit more worrisome. Specifically, year-over-year growth has slowed to a crawl according to several economic indicators. Such a development is evident in several other states, as well. At the same time, the Pennsylvania index of leading indicators reversed a two month decline in January (chart). Furthermore, while it has been suggested that the recent batch of apparently favorable indicators of the nation's economic health be treated with caution, recent trends do suggest that the U.S. will likely, once again, postpone a recession, much to the benefit of Pennsylvania.

On the negative side, assuming that the slowdown remains concentrated in the goods-producing industries, especially manufacturing, the economic weakness expected is likely to be more pronounced in Pennsylvania than in the U.S. This is especially true in light of the high concentration of Pennsylvania manufacturing jobs in slow-growth industries (see the February 1990 issue of the *PBS* for further discussion). In December, manufacturing jobs in Pennsylvania declined 1.6 percent from a year ago, a performance improved upon by 36 other

PENNSYLVANIA COMPOSITE INDEX
OF LEADING INDICATORS
(Jan. 1972=100)



SOURCE: PSU, CENTER FOR REGIONAL BUSINESS ANALYSIS.

states. Clearly, should such a trend continue, overall economic growth will come in well below national norms in Pennsylvania, a trend reminiscent of much of the mid 1980s.

— William D. Anderson

Personal Income Report

The most recent personal income trends in Pennsylvania continue to point to an economy that is expanding and appears in little danger of slipping into recession. For last year's third quarter, personal income totaled $212.7 billion for a 7.9 percent gain from a year ago. As highlighted three months ago in the previous "Personal Income Report," trends in this all-important measure of overall economic activity are perhaps the strongest and most positive of any of the measures used to track the economy's health. The 8.3 percent year-to-date personal income gain represents the strongest showing since the early 1980s. Trends are equally impressive if the analysis is limited to the nonfarm component of the total.

There are, however, a few negatives in the picture. The most notable is the State's poor showing relative to the nation. Specifically, the annual growth in personal income in Pennsylvania has been below nationwide norms in each of the past six quarters. In last year's third quarter, the United States' 8.5 percent increase in personal income was 0.6 percentage point higher than the Commonwealth's advance. Although still impressive, the rate of increase in personal income did slow in last year's third quarter. Pennsylvania's 7.9 percent increase followed gains of 8.4 and 8.6 percent in the first two quarters of the year. This mirrors the year-end slowdown in the economy as a whole. Furthermore, since that overall slowing pattern in the economy is expected to continue in the Commonwealth, personal income trends over the next several months are not likely to be quite as impressive as they have been of late. Nonetheless, in that a recession is not currently in the forecast, it is unlikely that personal income trends will deteriorate considerably.

Pennsylvania personal income
(seas. adj. ann. rate; millions of dollars)

		Pct. change			Pct. change	
	Personal income	Qt. ago	Yr. ago	Nonfarm personal income	Qt. ago	Yr. ago
1989:IIIQ	212,671	2.0	7.9	211,692	2.0	8.0
1989:IIQ	208,599	1.5	8.6	207,461	1.6	8.5
1989 YTD	208,899	n.a.	8.3	207,788	n.a.	8.2

Source: U.S. Dept. of Commerce, Bur. of Econ. Analysis.

Pennsylvania Business Survey

March 1990 Vol. 31, No. 3

Published monthly by the Division of Research of the College of Business Administration, 103 Business Administration Bldg. II, The Pennsylvania State University, University Park, PA 16802. Subscription rate: $10.00 a year. (ISSN 0031-4382)

J.D. Hammond, Dean of the College
Paul H. Rigby, Associate Dean for Research and Graduate Programs
Rodney A. Erickson, Director of the Center for Regional Business Analysis and Associate Director of the Division of Research
William D. Anderson, Assistant Director of the Center for Regional Business Analysis
Doris J. Bickle, Staff Assistant
Mary Jane Corman, Subscription Coordinator

The content of this publication is not copyrighted and may be reproduced freely, but acknowledgement of source will be appreciated.

The Pennsylvania State University, in compliance with federal and state laws, is committed to the policy that all persons shall have equal access to programs, admission, and employment without regard to race, religion, sex, national origin, handicap, age, or status as a disabled or Vietnam-era veteran. Direct all affirmative action inquiries to the Affirmative Action Office, 201 Willard Building, University Park, PA 16802; (814) 863-0471.

U.Ed. BUS 90-40

PENNSYLVANIA BUSINESS SURVEY
Division of Research of the
College of Business Administration
The Pennsylvania State University
University Park, PA 16802

Nonprofit org.
U.S. Postage
PAID
The Pennsylvania
State University

ADDRESS CORRECTION REQUESTED

* 018-01-12002
* SRI
CONGRESSIONAL INFO SERVICE
4520 EAST-WEST HIGHWAY
BETHESDA MD 20814